

TORONTO STOCK EXCHANGE TORONTO

BULLETIN NO. 6742

May 13, 1968.

NEW LISTING

KENTING LIMITED

Application has been granted to list 524,537 common shares of 50 cents par value each, of which 222,500 shares are subject to issuance. The common shares will be posted for trading at the opening on Wednesday, May 15th. Stock Symbol "KAL"; Post Section 3.1; Dial Quotation No. 1105.

Listing Statement No. 2296 is being prepared. The following is some of the information that will be in the Statement:

Head Office - Toronto International Airport, Malton, Ont.

Transfer Agent and Registrar - The Royal Trust Company - Toronto, Montreal, Calgary and Vancouver

History - The Company was incorporated as a private company under the laws of Canada by letters patent dated October 4th, 1947, under the name Kenting Aviation Limited. By supplementary letters patent the Company was converted to a public company and by supplementary letters patent dated April 22nd, 1963, the name of the Company was changed to Kenting Limited. On September 20, 1967, the Company acquired all of the outstanding shares of Boundary Drilling Ltd. and Accurate Exploration Ltd. Prior to September 20, 1967, Petrolia Oilwell Drilling Ltd., Todola Drilling Ltd., Hunter Drilling Ltd., Petrolia Holdings Limited and VHF Drilling Ltd. were wholly owned subsidiaries of Boundary Drilling Ltd., and A. E. Pallister Consultants Ltd., Acorn Graphics Ltd., Eastern Oilwell Cementing and Testing Limited and Ranch Drilling Ltd. were wholly owned subsidiaries of Accurate Exploration Ltd. On September 20, 1967, Tamarack Petroleum Ltd. became a subsidiary of Petrolia Oilwell Drilling Ltd. and Petrex Data Agencies Ltd. became a subsidiary of Accurate Exploration Ltd. On December 29, 1967, the Company acquired all of the outstanding shares of Foothills Aviation Limited and on March 29, 1968, the Company acquired all of the outstanding shares of Hunttec Limited.

Nature of Business - The Company and its subsidiaries, which have a total of 500 employees, carry on operations through five main divisions, Kenting Aviation Division (carried on by the Company), Klondike Helicopter Division (carried on by Klondike Helicopters Limited), Accurate Exploration Division (carried on by Accurate Exploration Ltd.), Petrolia Oilwell Drilling Division (carried on by Petrolia Oilwell Drilling Ltd.), and Mining Geophysical Division (carried on by Hunttec Ltd.)

Kenting Aviation Division - The Company is licenced by the Air Transport Committee to conduct all types of commercial air services (excepting airline services) using helicopters and all sizes of aircraft. Included in such commercial air services are aerial surveys, fixed wing air lifts and charters. One of its main contracts is a five-year ice reconnaissance project for the Canadian government. This division has also carried out geophysical and lake pollution surveys and played a leading role in the development of water bombers. In addition, executive aircraft (including one jet) are operated on a charter basis.

Klondike Helicopter Division - This division has extensive experience in providing helicopter support for the mining and petroleum industries throughout Canada. Klondike has also worked for the Canadian government, and has conducted a major aerial mapping project on Guyana.

Accurate Exploration Division - This division carries on seismic surveys on land, muskeg and water. Seismic surveys have been conducted by Accurate throughout most of the western Canadian sedimentary basin, on muskeg in the Northland, in the Canadian Rockies and on the Mackenzie River and the Arctic Ocean. Extensive experience and equipment have been accumulated to handle the most difficult transportation and communication problems. To move equipment across muskeg this division uses specially designed track vehicles or helicopters. For marine seismic work boats are used. Helicopters, fixed wing aircraft and other land vehicles also provide transportation as required. This division uses a digital process centre for playback of recorded data. As part of this division, a subsidiary company, A. E. Pallister Consultants Ltd., provides geophysical and geological consulting services.

Petrolia Oilwell Drilling Division - Petrolia specializes in oilwell drilling in remote areas where planned operations are essential. Its rigs are self-contained units relatively independent of centralized supplies or parts replacement. Another special characteristic is the use of scientific analysis of holes previously drilled in a given area. This data is used to program future holes in the area, with the result that drilling time is often substantially reduced. Petrolia drilled the second well heralding the Rainbow Lake development in Northwestern Alberta and is still active in this area. It has also drilled wells throughout western Canada, as well as in Nova Scotia, New Brunswick and Quebec.

Mining Geophysical Division - This Division comes into existence with the acquisition of Huntco Ltd. It incorporates three activities, mining geophysical operations on behalf of mining companies, engineering companies and governments, the development of new geophysical instruments and technology; and the manufacture and sale of the geophysical instruments so developed. Huntco Ltd. operates a world wide business and has offices in Toronto, Vancouver, Montreal and Sydney, Australia.

Officers -

| | |
|----------------|------------------------------------|
| President | - D. H. Kendall, Caledon, Ont. |
| Vice-President | - A. F. Soutar, Brampton, Ont. |
| Vice-President | - L. R. Herrington, Calgary, Alta. |
| Vice-President | - G. F. Coote, Calgary, Alta. |
| Secretary | - B. F. Kennerly, Toronto, Ont. |
| Treasurer | - G. M. A. Monteith, Weston, Ont. |

Directors - D. H. Kendall, L. R. Herrington, G. F. Coote, A. F. Soutar and the following:

J. C. Anderson, Calgary, Alta.
 J. K. Farries, Calgary, Alta.
 D. J. Fleming, Calgary, Alta.
 J. R. Hughes, Montreal, Que.
 C. C. Huston, Toronto, Ont.
 J. H. Mowbray Jones, Westmount, P.Q.
 D. A. McIntosh, Toronto, Ont.
 P. F. Osler, Montreal, Que.
 A. E. Pallister, Calgary, Alta.
 H. R. Paterson, Toronto, Ont.
 G. D. Ross, Calgary, Alta.
 D. S. Paterson, Charleswood, Man.
 J. W. Strath, Calgary, Alta.
 A. Vanden Brink, Edmonton, Alta.

Capitalization as at March 31, 1960.

| Share Capital | Authorized | Issued and Outstanding | To Be Listed |
|--|------------|------------------------|--------------|
| 3% Cum.Red. Class "A" Pref. Shares of \$12.50 par value each | 142,000 | 142,000 | Nil |
| 3% Cum.Red. Class "B" Pref. Shares of \$30 par value each | 12,000 | 12,000 | Nil |
| ✓ Common Shares of 50¢ par value | 1,000,000 | 302,037 | 524,537* |

*222,500 common shares have been reserved as follows:

- | | |
|--|--------|
| (i) Employee stock option at \$4.50 per share exercisable as to 250 shares at the end of each two successive years of employment on a cumulative basis expiring on December 31, 1969, or on termination of employment whichever first occurs | 500 |
| (ii) Stock Options to senior staff of subsidiary company at \$24.30 per share exercisable as to an aggregate of 500 shares during each year of employment on a cumulative basis expiring on March 25, 1973 | 2,500 |
| (iii) Stock options to employees of subsidiary company at \$21.50 per share exercisable as to an aggregate of 300 shares during each year of employment on a cumulative basis expiring on November 3, 1972 | 1,500 |
| (iv) For issue on exercising of share purchase warrants at \$3.50 per share expiring June 30, 1973 at a rate not exceeding 1/5 of the total shares available on exercising of warrants, in each year from June 30, 1960 to June 30, 1973 on a non-cumulative basis | 60,000 |

| | | |
|-------|---|---------|
| (v) | For issue on exercising of share purchase warrants at \$20 per share expiring November 30, 1973 at a rate not exceeding 1/5 of the total of shares available on exercising of warrants in each year from January 1, 1968 to November 30, 1973 on a non-cumulative basis | 4,000 |
| (vi) | For issue upon conversion of outstanding 6% Cumulative Redeemable Class "A" Preferred Shares | 142,000 |
| (vii) | For issue upon conversion of 6% Cumulative Redeemable Class "B" Preferred Shares | 12,000 |

Funded Debt (Mar.31, 1968)

| Long term debt of Company and Subsidiaries: | Issued and Outstanding | To Be Listed |
|--|------------------------|--------------|
| 3% Debenture repayable in monthly instalments of \$15,000 to Sept. 1971 | \$575,000 | Nil |
| 3% Demand Debenture repayable in quarter yearly instalments of \$31,750 to December 1971 | 532,500 | Nil |
| Advance under contract, repayable in monthly instalments of \$5,656 | 200,478 | Nil |
| 3% Debenture due December 1981 | 140,000 | Nil |
| 7% Note, repayable in monthly instalments of \$5,076 | 217,594 | Nil |
| 6% Note, repayable \$50,000 January 1969 and the balance January 1970 | 130,000 | Nil |
| Mortgages repayable in monthly instalments of approximately \$3,300 at various interest rates between 6% and 8% | 253,672 | Nil |
| Bank Loans | 1,152,041 | Nil |
| Sundry Notes, conditional sales agreements etc., repayable in monthly instalments of approximately \$13,500 at various interest rates between 5% and 10% | 272,750 | Nil |

Dividends

| Year | Common Shares Payment Date | Rate | Amount Paid |
|------|----------------------------|---------|-------------|
| 1957 | January 31 | \$10.00 | \$ 3,000.00 |
| 1958 | " 31 | 10.00 | 3,000.00 |
| 1959 | " 30 | 1.00 | 3,000.00 |
| 1960 | " 29 | 1.00 | 3,000.00 |
| 1961 | " 31 | 1.00 | 3,000.00 |
| 1962 | February 28 | 1.00 | 3,000.00 |
| 1964 | March 9 | .15 | 15,000.00 |
| 1965 | April 29 | .15 | 15,000.00 |
| 1965 | November 1 | .15 | 15,000.00 |
| 1966 | June 15 | .15 | 15,000.00 |
| 1966 | November 15 | .15 | 22,500.00 |
| 1967 | June 15 | .15 | 22,361.00 |
| 1967 | November 30 | .15 | 41,633.00 |

6% Cumulative Redeemable Class "A" Preferred Shares

| Year | Payment Date | Rate | Amount Paid |
|------|--------------|------|-------------|
| 1967 | November | 6% | \$ 3,210.00 |
| 1968 | April 1 | 6% | 53,250.00 |

6% Cumulative Redeemable Class "B" Preferred Shares

| Year | Payment Date | Rate | Amount Paid |
|------|--------------|------|-------------|
| 1968 | April 1 | 6% | \$5,463.40 |

Voting Agreement - By an Agreement dated the 20th day of September 1967, Lawrence R. Herrington, Donald J. Fleming, Graham D. Ross, Antonie Vanden Brink, George F. Coote, Jack C. Anderson, A. Ernest Pallister and Marshall W. Dewis (herein referred to as the "Boundary and Accurate Group") and John R. Hughes, C. C. Huston, Douglas N. Kendall, D. A. McIntosh, J. H. Mowbray Jones, P. F. Osler, D. S. Paterson, A. F. Soutar and Field Aviation Company Limited (herein referred to as the "Field Group") entered into an agreement whereby the said parties agreed that until June 30, 1972, they will vote their shares of the Company so that the total number of the Board of the Company shall at all times consist of a number evenly divisible by two and that one-half of the members of the Board of Directors of the Company shall at all times be the joint nominees of the Boundary and Accurate Group and one-half of the Board of Directors of the Company shall at all times be the joint nominees of the Field Group.

BY ORDER OF THE BOARD OF GOVERNORS

J. R. KIMBER,
President

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2296

LISTED MAY 15, 1968

524,537 common shares of 50 cents par value each, of which 222,500 shares are subject to issuance.

Stock Symbol "KAL"

Post Section 8.1

Dial Quotation No. 1105

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

KENTING LIMITED

Incorporated under the laws of Canada by letters patent dated October 4, 1947.

Common Shares of the par value of 50c each transferable in Montreal, Toronto, Calgary and Vancouver

CAPITALIZATION AS AT MARCH 31, 1968

| SHARE CAPITAL | AUTHORIZED | ISSUED AND OUTSTANDING | TO BE LISTED |
|--|------------|---------------------------|--------------|
| 6% Cumulative Redeemable Class A Preferred Shares of the par value of \$12.50 each | 142,000 | 142,000 | Nil |
| 6% Cumulative Redeemable Class B Preferred Shares of the par value of \$30 each | 12,000 | 12,000 | Nil |
| Common Shares of the par value of 50c each | 1,000,000 | 302,037 | 524,537* |
| * of which 222,500 are subject to issuance | | | |
| FUNDED DEBT (March 31, 1968) | | | |
| Long term debt of Company and Subsidiaries: | | | |
| 8% Debenture repayable in monthly instalments of \$15,800 to September 1971 | | \$ 575,800 | Nil |
| 8% Term bank loan repayable in quarterly instalments of \$37,500 to December 1971 | | 562,500 | Nil |
| Advance under contract, repayable in monthly instalments of \$5,656 | | 200,478 | Nil |
| 3% Debenture due December 1981 | | 140,000 | Nil |
| 7% Note, repayable in monthly instalments of \$5,076 | | 217,594 | Nil |
| 6% Note, repayable \$50,000 January 1969 and the balance January 1970 | | 130,000 | Nil |
| Mortgages, repayable in monthly instalments of approximately \$8,300 at various interest rates between 6% and 8% | | 258,672 | Nil |
| Bank loans | | 1,152,041 | Nil |
| Sundry Notes, conditional sales agreements etc., repayable in monthly instalments of approximately \$13,500 at various interest rates between 5% and 10% | | 272,750 | Nil |

1.

APPLICATION

Kenting Limited (hereinafter called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 524,537 Common Shares with a par value of 50c each in the capital stock of the Company, of which 302,037 have been issued and are outstanding as fully paid and non-assessable. The remaining 222,500 Common Shares included in this application have been reserved as follows:

- (i) Employee stock option at \$4.50 per share exercisable as to 250 shares at the end of each of two successive years of employment on a cumulative basis expiring on December 31, 1969 or on termination of employment whichever first occurs 500
- (ii) Stock options to senior staff of subsidiary company at \$24.30 per share exercisable as to an aggregate of 500 shares during each year of employment on a cumulative basis expiring on March 25, 1973 or on termination of employment whichever first occurs 2,500
- (iii) Stock options to employee of subsidiary company at \$21.50 per share exercisable as to an aggregate of 300 shares during each year of employment on a cumulative basis expiring on November 8, 1972 or on termination of employment whichever first occurs 1,500

| | |
|---|---------|
| (iv) For issue on exercising of share purchase warrants at \$8.50 per share expiring June 30, 1973 at a rate not exceeding 1/5 of the total of shares available on exercising of warrants, in each year from July 1, 1968 to June 30, 1973 on a non-cumulative basis | 60,000 |
| (v) For issue on exercising of share purchase warrants at \$20 per share expiring November 30, 1973 at a rate not exceeding 1/5 of the total of shares available on exercising of warrants, in each year from December 1, 1968 to November 30, 1973 on a non-cumulative basis | 4,000 |
| (vi) For issue upon conversion of outstanding 6% Cumulative Redeemable Class A preferred Shares | 142,000 |
| (vii) For issue upon conversion of 6% Cumulative Redeemable Class B Preferred Shares | 12,000 |

2.

HISTORY

The Company was incorporated as a private company under the laws of Canada by letters patent dated October 4, 1947 under the name of Kenting Aviation Limited. By supplementary letters patent dated October 15, 1962 the Company was converted to a public company and by supplementary letters patent dated April 22nd, 1968 the name of the Company was changed to Kenting Limited. On September 20, 1967 the Company acquired all of the outstanding shares of Boundary Drilling Ltd. and Accurate Exploration Ltd. Prior to September 20, 1967 Petrolia Oilwell Drilling Ltd., Todola Drilling Ltd., Hunter Drilling Limited, Petrolia Holdings Limited and VHF Drilling Ltd. were wholly owned subsidiaries of Boundary Drilling Ltd. and A. E. Pallister Consultants Ltd., Acorn Graphics Ltd., Eastern Oilwell Cementing and Testing Limited and Ranch Drilling Ltd. were wholly owned subsidiaries of Accurate Exploration Ltd. On September 20, 1967 Tamarack Petroleum Ltd. became a subsidiary of Petrolia Oilwell Drilling Ltd. and Petrex Data Agencies Ltd. became a subsidiary of Accurate Exploration Ltd. On December 29, 1967 the Company acquired all of the outstanding shares of Foothills Aviation Limited and on March 29, 1968 the Company acquired all of the outstanding shares of Hunttec Limited.

3.

NATURE OF BUSINESS

The Company and its subsidiaries, which have a total of 500 employees, carry on operations through five main divisions, Kenting Aviation Division (carried on by the Company), Klondike Helicopter Division (carried on by Klondike Helicopters Ltd.), Accurate Exploration Division (carried on by Accurate Exploration Ltd.), Petrolia Oilwell Drilling Division (carried on by Petrolia Oilwell Drilling Ltd.) and Mining Geophysical Division (carried on by Hunttec Ltd.).

Kenting Aviation Division

The Company is licenced by the Air Transport Committee to conduct all types of commercial air services (excepting airline services) using helicopters and various sizes of aircraft. Included in such commercial air services are aerial surveys, fixed wing air lifts and charters. One of its main contracts is a five-year ice reconnaissance project for the Canadian government. This division has also carried out geophysical and lake pollution surveys and played a leading role in the development of water bombers. In addition executive aircraft (including one jet) are operated on a charter basis.

Klondike Helicopter Division

This division has extensive experience in providing helicopter support for the mining and petroleum industries throughout Canada. Klondike has also worked for the Canadian government, and is conducting a major aerial mapping project on Guyana.

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Petrolia Oilwell Drilling Division

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Mining Geophysical Division

This Division comes into existence with the acquisition of Hunttec Ltd. It incorporates three activities, mining geophysical operations on behalf of mining companies, engineering companies and governments; the development of new geophysical instruments and technology; and the manufacture and sale of the geophysical instruments so developed. Hunttec Ltd. operates a world wide business and has offices in Toronto, Vancouver, Montreal and Sydney, Australia.

4.

INCORPORATION

The Company was incorporated under the laws of Canada as a private company by letters patent dated October 4, 1947 with an authorized capital of \$200,000 divided into 2,000 shares of the par value of \$100 each. Supplementary letters patent have been issued to the Company as follows: August 6, 1958, subdividing the authorized capital of the Company into 20,000 shares of the par value of \$10 each; October 15, 1962 converting the Company into a public company and subdividing the authorized capital into 400,000 shares of the par value of 50¢ each; September 8, 1967 increasing the authorized capital of the Company by the creation of 142,000 6% Cumulative Redeemable Preferred Shares of the par value of \$12.50 each and 100,000 additional common shares of the par value of 50¢ each; December 19, 1967 increasing the authorized capital of the Company by creating 12,000 6% Cumulative Redeemable Class B Preferred Shares of the par value of \$30 each and an additional 500,000 common shares of the par value of 50¢ each and redesignating the existing preferred shares as 6% Cumulative Redeemable Class A Preferred Shares of the par value of \$12.50 each; April 22, 1968 changing the Company's name to Kenting Limited.

5.

SHARES ISSUED DURING PAST TEN YEARS

| DATE OF ISSUE | NO. OF SHARES ISSUED | AMOUNT REALIZED PER SHARE | TOTAL AMOUNT REALIZED | PURPOSE OF ISSUE |
|--------------------|--|------------------------------|--------------------------|--|
| January 7, 1963 | 40,000 Common | \$6.50 | \$225,000 | Repayment of indebtedness and for general purposes including the purchase of additional equipment. |
| June 22, 1966 | 48,823 Common | 4.50 | 219,803 | Increase equity capital. |
| May 11, 1967 | 250 Common | 4.50 | 1,125 | Employee stock option. |
| August 29, 1967 | 16,000 Common | 4.50 | 72,000 | Exercise of option by Industrial Development Bank. |
| September 20, 1967 | 142,000 6% Class A Preferred 112,500 Common | | | Acquisition of all the outstanding shares of Boundary Drilling Ltd. and Accurate Exploration Ltd. |
| December 12, 1967 | 250 Common | 4.50 | 1,125 | Employee stock option. |
| December 29, 1967 | 12,000 6% Class B Preferred 12,000 Common | | | Acquisition of all of the outstanding shares of Foothills Aviation Limited. |
| March 29, 1968 | 12,214 Common | | | Acquisition of all of the outstanding shares of Hunttec Limited and indebtedness of Hunttec Limited. |

6.

STOCK PROVISIONS AND VOTING POWERS

Each Common Share carries one vote at all meetings of the shareholders. (Reference should also be made to Appendix "A" shown on Page 11.) The following describes in summary form the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the 6% Cumulative Redeemable Class A Preferred Shares of the par value of \$12.50 each (hereinafter called "Class A Preferred Shares") of the Company:

(1) The holders of the Class A Preferred Shares are entitled to receive in priority to the holders of Common Shares of the Company and any shares ranking junior to the Class A Preferred Shares if and when declared by the directors of the Company fixed cumulative preferential cash dividends at the rate of 6% per annum payable semi-annually on the first days of October and April of each year.

(2) In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs the holders of Class A Preferred Shares are entitled to receive the amount paid up on such shares together with all accrued and unpaid preferential dividends before any amount shall be paid or any property or assets of the Company distributed to the holders of any Common Shares or shares of any other class ranking junior to the Class A Preferred Shares.

(3) The holders of Class A Preferred Shares are not entitled to receive notice of, attend or vote at meetings of shareholders unless the Company from time to time shall fail to pay in the aggregate four semi-annual dividends on the Class A Preferred Shares. Thereafter, so long as dividends remain in arrears, the holders of Class A Preferred Shares are entitled to attend meetings of shareholders and are entitled to one vote in respect of each Class A Preferred Share held.

(4) (a) Subject to the provisions of Section 61 of the Canada Corporations Act the Company may at any time after March 1, 1970 purchase the whole or any part of the outstanding Class A Preferred Shares in the open market or by invitation for tenders at the lowest price at which, in the opinion of the directors, such shares are obtainable but not exceeding the redemption price and costs of purchase.

(b) Subject to the provisions of Section 61 of the Canada Corporations Act the Class A Preferred Shares are redeemable at the option of the Company on or after March 1, 1970 in whole or from time to time in part on not less than 60 days' notice at a redemption price of \$12.50 per share at varying premiums plus, in addition thereto in each case, an amount equal to all unpaid preferential dividends accrued thereon. If Class A Preferred Shares are redeemed on or after March 1, 1970 but prior to March 1, 1971 the premium is \$0.75

and thereafter decreases at the rate of \$0.0625 per year. No premium is payable on Class A Preferred Shares if redeemed on or after March 1, 1982.

(5) (a) The holders of Class A Preferred Shares have the right at any time between January 1, 1970 and the close of business on December 31, 1974 to convert fully paid Class A Preferred Shares into Common Shares in the capital stock of the Company on the basis of one (1) fully paid Common Share for each Class A Preferred Share. Such conversion rate is subject to adjustment in certain events.

(b) In the case of any Class A Preferred Shares which may be called for redemption, the right of conversion thereof ceases and terminates at the close of business on the third (3rd) business day prior to the date fixed for redemption, provided, however, that if the Company shall fail to redeem such Class A Preferred Shares in accordance with the notice of redemption the right of conversion shall thereupon be restored.

(c) The Company is not to issue any Common Shares which will result in the unissued Common Shares being insufficient to fulfil the conversion privilege of holders of Class A Preferred Shares should the holders of all outstanding Class A Preferred Shares determine to have the same converted in accordance with the provisions attaching to the Class A Preferred Shares.

(d) No holder of a Class A Preferred Share is entitled to receive on the conversion of such share any certificate for a fraction of a Common Share but the Company shall issue in lieu thereof non-voting and non-dividend bearing scrip certificates.

(6) The Company shall not without but may from time to time with the approval of the holders of the Class A Preferred Shares increase the authorized amount of Class A Preferred Shares or create or issue any class of shares ranking in priority to or on a parity with the Class A Preferred Shares.

(7) The Company shall not without but may from time to time with the approval of the holders of the Class A Preferred Shares given as hereinafter specified

- (a) declare or pay any dividends (other than stock dividends in shares of the Company ranking junior to the Class A Preferred Shares) on any of its shares at any time outstanding and ranking junior to the Class A Preferred Shares; or
- (b) redeem, purchase, reduce or otherwise pay off any of its shares at any time outstanding and ranking junior to the Class A Preferred Shares (except out of the proceeds of an issue of shares ranking junior to the Class A Preferred Shares made at any time after October 1, 1967 and prior to or contemporaneously with any such redemption, purchase or payment off); or
- (c) elect to pay any tax on undistributed income under the provisions of Section 105 of the Income Tax Act (Revised Statutes of Canada 1952, Chapter 148) as now enacted or as the same may from time to time be amended or re-enacted or elect to pay any tax under any similar provisions;

unless immediately after giving effect to such action the aggregate amount

- (i) declared and/or paid subsequent to June 30, 1967 as dividends (other than stock dividends in shares of the Company ranking junior to the Class A Preferred Shares) on all shares of all classes of the Company;
- (ii) distributed and/or paid (on redemption, purchase or other payment off) subsequent to June 30, 1967 in respect of all shares (other than Class A Preferred Shares) of all classes of the Company; and
- (iii) elected to be paid as tax as mentioned in subdivision (c) immediately preceding

will not be more than the aggregate of the consolidated net earnings available for dividends (as defined) of the Company and its subsidiaries for the period from January 1, 1967 to the day prior to the date of such action, both dates inclusive, plus the amount of \$700,000 less an amount equal to the dividend requirements for two (2) years on all Class A Preferred Shares then outstanding.

(8) The Company shall not declare, pay or set apart any dividend on the Common Shares or any other shares of the Company ranking junior to the Class A Preferred Shares unless all dividends, up to and including the dividend payable on the last preceding dividend payment date, on all the Class A Preferred Shares then issued and outstanding shall have been declared and provided for.

(9) The provisions attaching to the Class A Preferred Shares may be repealed, altered, modified, amended or amplified by supplementary letters patent but only with the approval of the holders of the Class A Preferred Shares given as hereinafter specified, in addition to any other approval required by the Canada Corporations Act.

(10) Any approval to be given by the holders of Class A Preferred Shares may be given in writing by the holders of not less than 75% of the Class A Preferred Shares or by compromise or arrangement under the Canada Corporations Act or by resolution passed or by by-law sanctioned by the affirmative vote of the holders of not less than 75% of the Class A Preferred Shares at a meeting of holders of Class A Preferred Shares called for such purpose.

(11) The Common Shares rank junior to the Class A Preferred Shares and shall be subject in all respects to the rights, restrictions, conditions and limitations attaching to the Class A Preferred Shares.

The following describes in summary form the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the 6% Cumulative Redeemable Class B Preferred Shares of the par value of \$30 each (hereinafter called "Class B Preferred Shares") of the Company:

(1) The holders of the Class B Preferred Shares are entitled to receive in priority to the holders of Common Shares of the Company and any shares ranking junior to the Class B Preferred Shares if and when declared by the directors of the Company fixed cumulative preferential cash dividends at the rate of 6% per annum payable semi-annually on the first days of April and October of each year.

(2) In the event of liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs the holders of Class B Preferred Shares are entitled to receive the amount paid up on such shares together with all accrued and unpaid preferential dividends before any amount shall be paid or any property or assets of the Company distributed to the holders of any Common Shares or shares of any other class ranking junior to the Class B Preferred Shares.

(3) The holders of the Class B Preferred Shares are not entitled to receive notice of, attend or vote at meetings of shareholders unless the Company from time to time shall fail to pay in the aggregate four semi-annual dividends on the Class B Preferred Shares. Thereafter, so long as dividends remain in arrears, the holders of Class B Preferred Shares are entitled to attend meetings of shareholders and are entitled to one vote in respect of each Class B Preferred Share held.

(4) (a) Subject to the provisions of Section 61 of the Canada Corporations Act the Company may at any time after March 15, 1969 purchase the whole or any part of the outstanding Class B Preferred Shares in the open market or by invitation for tenders at the lowest price at which, in the opinion of the directors, such shares are obtainable but not exceeding the redemption price and costs of purchase.

(b) Subject to the provisions of Section 61 of the Canada Corporations Act the Class B Preferred Shares are redeemable at the option of the Company on or after March 15, 1969 in whole or from time to time any part on not less than 60 days' notice at a redemption price of \$30 per share at varying premiums plus, in addition thereto in each case, an amount equal to all unpaid preferential dividends accrued thereon. If Class B Preferred Shares are redeemed on or after March 1, 1969 but prior to March 15, 1970 the premium is \$1.80 and thereafter decreases at the rate of \$0.15 per year. No premium is payable on Class B Preferred Shares if redeemed on or after March 15, 1981.

(5) (a) The holders of Class B Preferred Shares have the right at any time between January 15, 1969 and the close of business on January 15, 1973 to convert fully paid Class B Preferred Shares into Common Shares in the capital stock of the Company on the basis of one (1) fully paid Common Share for each Class B Preferred Share. Such conversion rate is subject to adjustment in certain events.

(b) In the case of any Class B Preferred Shares which may be called for redemption, the right of conversion thereof ceases and terminates at the close of business on the third (3rd) business day prior to the date fixed for redemption, provided, however, that if the Company shall fail to redeem such Class B Preferred Shares in accordance with the notice of redemption the right of conversion shall thereupon be restored.

(c) The Company is not to issue any Common Shares which will result in the unissued Common Shares being insufficient to fulfil the conversion privilege of holders of Class B Preferred Shares should the holders of all outstanding Class B Preferred Shares determine to have the same converted in accordance with the provisions attaching to the Class B Preferred Shares.

(d) No holder of a Class B Preferred Share is entitled to receive on the conversion of such share any certificate for a fraction of a Common Share but the Company shall issue in lieu thereof non-voting and non-dividend bearing scrip certificates.

(6) The Company shall not without but may from time to time with the approval of the holders of the Class B Preferred Shares increase the authorized amount of Class B Preferred Shares or create or issue any class of shares ranking in priority to or on a parity with the Class B Preferred Shares.

(7) The Company shall not without but may from time to time with the approval of the holders of the Class B Preferred Shares given as hereinafter specified

- (a) declare or pay any dividends (other than stock dividends in shares of the Company ranking junior to the Class B Preferred Shares) on any of its shares at any time outstanding and ranking junior to the Class B Preferred Shares; or
- (b) redeem, purchase, reduce or otherwise pay off any of its shares at any time outstanding and ranking junior to the Class B Preferred Shares (except out of the proceeds of an issue of shares ranking junior to the Class B Preferred Shares made at any time after January 1, 1968 and prior to or contemporaneously with any such redemption, purchase or payment off); or
- (c) elect to pay any tax on undistributed income under the provisions of Section 105 of the Income Tax Act (Revised Statutes of Canada 1952, Chapter 148) as now enacted or as the same may from time to time be amended or re-enacted or elect to pay any tax under any similar provisions;

unless immediately after giving effect to such action the aggregate amount

- (i) declared and/or paid subsequent to January 1, 1968 as dividends (other than stock dividends in shares of the Company ranking junior to the Class B Preferred Shares) on all shares of all classes of the Company;
- (ii) distributed and/or paid (on redemption, purchase or other payment off) subsequent to January 1, 1968 in respect of all shares (other than Class A Preferred Shares and Class B Preferred Shares) of all classes of the Company; and
- (iii) elected to be paid as tax as mentioned in subdivision (c) immediately preceding

will not be more than the aggregate of the consolidated net earnings available for dividends (as defined) of the Company and its subsidiaries for the period from January 1, 1967 to the day prior to the date of such action, both dates inclusive, plus the amount of \$700,000 less an amount equal to the dividend requirements for two (2) years on all Class A Preferred Shares and Class B Preferred Shares then outstanding.

(8) The Company shall not declare, pay or set apart any dividend on the Common Shares or any other shares of the Company ranking junior to the Class B Preferred Shares unless all dividends, up to and including the dividend payable on the last preceding dividend payment date, on all the Class B Preferred Shares then issued and outstanding shall have been declared and provided for.

(9) The provisions attaching to the Class B Preferred Shares may be repealed, altered, modified, amended or amplified by supplementary letters patent but only with the approval of the holders of the Class B Preferred Shares given as hereinafter specified, in addition to any other approval required by the Canada Corporations Act.

(10) Any approval to be given by the holders of Class B Preferred Shares may be given in writing by the holders of not less than 75% of the Class B Preferred Shares or by compromise or arrangement under the Canada Corporations Act or by resolution passed or by by-law sanctioned by the affirmative vote of the holders of not less than 75% of the Class B Preferred Shares at a meeting of holders of Class B Preferred Shares called for such purpose.

(11) The Common Shares rank junior to the Class B Preferred Shares and shall be subject in all respects to the rights, restrictions, conditions and limitations attaching to the Class B Preferred Shares.

(12) The Class B Preferred Shares rank on a parity with the Class A Preferred Shares, proportionately to their respective par values, (a) with respect to the payment of dividends and (b) on the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs.

7.

DIVIDEND RECORD

COMMON SHARES

| <u>YEAR</u> | <u>PAYMENT DATE</u> | <u>RATE</u> | <u>AMOUNT PAID</u> |
|-------------|---------------------|-------------|--------------------|
| 1957 | January 31 | \$10.00 | \$ 3,000.00 |
| 1958 | January 31 | 10.00 | 3,000.00 |
| 1959 | January 30 | 1.00 | 3,000.00 |
| 1960 | January 29 | 1.00 | 3,000.00 |
| 1961 | January 31 | 1.00 | 3,000.00 |
| 1962 | February 28 | 1.00 | 3,000.00 |
| 1964 | March 9 | .15 | 15,000.00 |
| 1965 | April 29 | .15 | 15,000.00 |
| 1965 | November 1 | .15 | 15,000.00 |
| 1966 | June 15 | .15 | 15,000.00 |
| 1966 | November 15 | .15 | 22,500.00 |
| 1967 | June 15 | .15 | 22,361.00 |
| 1967 | November 30 | .15 | 41,633.00 |

6% CUMULATIVE REDEEMABLE CLASS A PREFERRED SHARES

| <u>YEAR</u> | <u>PAYMENT DATE</u> | <u>RATE</u> | <u>AMOUNT PAID</u> |
|-------------|---------------------|-------------|--------------------|
| 1967 | November | 6% | \$ 3,210.00 |
| 1968 | April 1 | 6% | 53,250.00 |

6% CUMULATIVE REDEEMABLE CLASS B PREFERRED SHARES

| <u>YEAR</u> | <u>PAYMENT DATE</u> | <u>RATE</u> | <u>AMOUNT PAID</u> |
|-------------|---------------------|-------------|--------------------|
| 1968 | April 1 | 6% | \$ 5,468.40 |

8.

PROPERTY AND EQUIPMENT

Other than one parcel of land and a building thereon located in Calgary, a field office and workshop located in Calgary, a field office and workshop located in Edmonton and certain petroleum properties, the property of the Company and its subsidiaries consists primarily of operating equipment. For survey work three seismic recording crews are fully equipped for land, muskeg and water surveys and, in addition, the Company is equipped with aerial electronic survey gear. For drilling Petrolia Oilwell Drilling Division is equipped with nine drilling rigs with depth capacity ranging from 3,000 to 16,000 feet. In the field of transportation the Company and its subsidiaries have eleven fixed wing aircraft, including two DC-4's, three Canso Water Bombers and six other aircraft, three aircraft operated on a lease basis, including one executive jet, twenty-six helicopters, twelve track vehicles, twenty trucks, two boats and one barge. An associate company, CDP Computer Data Processors Ltd., leases a CDC 3300 Digital Computer and owns a SIE Analog-Digital-Analog Tape Converter.

9.

SUBSIDIARY COMPANIES

| Name | Incorporation | Date | Authorized Capital | Issued Capital | % Owned Directly or Indirectly | Nature of Business |
|---|---|--------------------|---|--------------------------------|--------------------------------|--|
| Kenting Aircraft Services Limited | Canada Letters Patent | June 7, 1954 | 4,000 preferred shares of the par value of \$100 each and 10,000 common shares without nominal or par value | 10,000 common | 100% | Aircraft leasing |
| Boundary Drilling Ltd. | Alberta Memorandum and Articles of Association | January 10, 1964 | 20,000 shares without nominal or par value | 100 | 100% | Holding company |
| Petrolia Oilwell Drilling Ltd. | British Columbia Memorandum and Articles of Association | January 25, 1952 | \$1,685,110 divided into 1,685,110 shares of the par value of \$1 each | 8 | 100% | Contract oilwell drilling |
| Todola Drilling Ltd. | Alberta Memorandum and Articles of Association | May 30, 1951 | 3,000,000 shares without nominal or par value | 1,000,000 | 100% | Oil and gas producing company |
| Hunter Drilling Limited | Alberta Memorandum and Articles of Association | March 17, 1952 | 40 200 preference shares of the par value of \$5 each and 20,000 common shares without nominal or par value | 1.250 common | 100% | Oil and gas producing company |
| Petrolia Holdings Limited | Alberta Memorandum and Articles of Association | December 13, 1962 | 20,000 shares without nominal or par value | 180 | 100% | Management company |
| VHF Drilling Ltd. | Alberta Memorandum and Articles of Association | December 21, 1962 | 46,500 preferred shares of the par value of \$5 each and 20,000 common shares without nominal or par value | 46,500 preferred 180 common | 100% | Inactive |
| Tamarack Petroleums Ltd. | Alberta Memorandum and Articles of Association | March 29, 1965 | 20,000 shares without nominal or par value | 1,000 | 72% | Oilwell management and oil and gas company |
| Accurate Exploration Ltd. | Alberta Memorandum and Articles of Association | February 19, 1951 | 40,000 5% non-cumulative redeemable preferred shares of the par value of \$5 each and 50,000 common shares without nominal or par value | 40,000 preferred 30,009 common | 100% | Exploration seismic surveys on land and water |
| A. E. Pallister Consultants Ltd. | Alberta Memorandum and Articles of Association | June 29, 1962 | \$20,000 divided into 20,000 shares of the par value of \$1 each | 100 | 100% | Geophysical and geological consultants |
| Acorn Graphics Ltd. | Alberta Memorandum and Articles of Association | November 28, 1956 | \$20,000 divided into 20,000 shares of the par value of \$1 each | 10 | 100% | Report reproduction company |
| Eastern Oilwell Cementing and Testing Limited | Quebec Letters Patent | June 6, 1957 | \$20,000 divided into 19,000 preferred shares of the par value of \$1 each and 1,000 common shares of the par value of \$1 each | 1,900 preferred 100 common | 100% | Inactive |
| Ranch Drilling Ltd. | Alberta Memorandum and Articles of Association | May 7, 1956 | \$20,000 divided into 19,000 preferred shares of the par value of \$1 each and 1,000 common shares of the par value of \$1 each | 1,900 preferred 100 common | 100% | Inactive |
| Petrex Data Agencies Ltd. | Alberta Memorandum and Articles of Association | November 21, 1956 | \$20,000 divided into 20,000 shares with a par value of \$1 each | 100 shares | 98% | Map reproduction company |
| Foothills Aviation Limited | Canada Letters Patent | February 14, 1946 | \$50,000 divided into 5,000 shares of the par value of \$10 each | 4,667 shares | 100% | Holding company |
| Klondike Helicopters Ltd. | British Columbia Memorandum and Articles of Association | September 19, 1945 | \$35,000 divided into 3,500 shares of the par value of \$10 each | 2,200 shares | 100% | Helicopter service to the mining, petroleum, forestry industries and Government |
| Huntec Limited | Ontario Letters Patent | February 20, 1964 | 10,000 5% non-Cumulative Redeemable non-voting preference shares of the par value of \$10 each and 70,000 common shares without par value | 5,000 preference 31,010 common | 100% | Research and development, manufacture of geophysical instruments—mining and engineering geophysical services |

FUNDED DEBT

The long term debt of the Company and its subsidiaries as at March 31, 1968 was as follows:

KENTING LIMITED AND KENTING AIRCRAFT SERVICES LIMITED

| | |
|--|-----------|
| 8% Debenture payable to Industrial Development Bank in monthly principal instalments of \$15,800 to September 1971 (secured) | \$575,800 |
| 8% Term bank loan, secured, repayable in quarterly instalments of \$37,500 to December, 1971 | 562,500 |
| Advance under contract—non interest bearing repayable in maximum monthly instalments of \$5,656 | 200,478 |
| Conditional sales contracts— | |
| 10% repayable in monthly principal instalments of \$1,250 to September 1968 | 7,500 |
| 7% repayable in monthly principal and interest instalments of \$2,878 to February 1969 | 33,016 |

PETROLIA OILWELL DRILLING LTD. AND TODOLA DRILLING LTD.

| | |
|--|-----------|
| Production loans, secured—payable in monthly instalments of \$2,458 plus interest at 7¼ % | \$ 33,291 |
| Mortgage payable, secured—Walden Auto Services Ltd., payable in monthly instalments of \$2,500 plus interest at 6% | 12,915 |
| Note payable, secured—Oilwell Supply Division, U.S. Steel Company, payable in monthly instalments of \$5,076 plus interest at 7% | 217,594 |
| Conditional sale agreements, secured—payable in monthly instalments of approximately \$3,300 plus interest | 45,116 |
| Production loan, secured—interest 7¼ % repayable out of net proceeds from oil production..... | 687,500 |

ACCURATE EXPLORATION LTD.:

| | |
|---|-----------|
| Mortgage payable to Industrial Development Bank, secured, due in equal monthly instalments of \$2,400 plus interest at 7½ % | \$ 98,400 |
| 8% Mortgage payable to Huron & Erie Mortgage Company, secured, due in equal monthly instalments of \$971 including interest | 65,705 |
| 7¼ % Mortgage payable to Great West Life Assurance Company, secured, due in equal monthly instalments of \$375 including interest and taxes | 7,016 |
| Chattel Mortgage, payable in U.S. funds to Fairchild Hiller Corporation, secured, due in two instalments of \$8,011 and thereafter monthly instalments of \$2,017 | 74,636 |
| 3% Debenture payable to Canada Trust Company, due December 31, 1981 | 140,000 |
| Loan—repayable in monthly instalments of \$2,100 | 37,400 |

FOOTHILLS AVIATION LTD. AND KLONDIKE HELICOPTERS LTD.

| | |
|--|-----------|
| 6% Note payable, secured, payable to Fairchild Hiller Corporation in monthly instalments of \$2,165 (U.S.) including finance charges | \$ 45,284 |
| 5% Conditional sales contract—payable in monthly instalments of \$2,616 (U.S.) including finance charges | 66,834 |
| 6% Note payable | 130,000 |
| Bank loan—interest 7¼ % | 175,000 |
| 12½ % Note—payable in eight equal monthly instalments September 1968 to December 1968, September 1969 to December 1969 | 75,000 |

HUNTEC LIMITED:

| | |
|---|-----------|
| Loan—Industrial Development Bank, repayable in eleven quarterly instalments of \$5,800 commencing June 23, 1969 with one payment of \$5,050 due March 23, 1969—interest at 7% | \$ 68,850 |
| Term Loan—payable in four annual instalments of \$37,500 commencing in 1968, interest at the prime rate plus 1½ %—current rate 8½ % | 150,000 |

OPTIONS, UNDERWRITINGS, ETC.

- (a) There are no underwriting agreements outstanding.
- (b) There are no issued shares of the Company held for the benefit of the Company.

NOTE: Particulars of options and other reserved shares are shown in paragraph 1 hereof.

LISTING ON OTHER STOCK EXCHANGES

The Common Shares of the Company are listed on the Canadian Stock Exchange.

STATUS UNDER SECURITIES ACTS

The offering of 40,000 unissued shares and 20,000 outstanding shares of the par value of 50c each was qualified for sale to the public in December 1962 in the Provinces of Ontario, Newfoundland, Prince Edward Island, Quebec, New Brunswick, Saskatchewan, Alberta and British Columbia.

The necessary steps were taken to permit the offering of shares of the par value of 50c each of the Company pursuant to the exercise of rights to subscribe for additional shares of the Company granted to holders of outstanding shares in June 1966 in all Provinces of Canada. 48,823 common shares were issued under such rights offering.

The necessary steps were taken in the Provinces of Quebec and Alberta in July 1967 to permit the issue of 142,000 6% Cumulative Redeemable Class A Preferred Shares of the par value of \$12.50 each of the Company, 112,500 Common Shares of the par value of 50c each of the Company and Warrants entitling the bearers thereof to purchase in the aggregate 60,000 Common Shares of the Company at a price of \$8.50 per share in consideration for the acquisition by the Company of all of the outstanding shares of Boundary Drilling Ltd. and Accurate Exploration Ltd.

The necessary steps were taken in the Provinces of Quebec and Alberta in December, 1967 to permit the issue of 12,000 6% Cumulative Redeemable Class B Preferred Shares of the par value of \$30 each of the Company, 12,000 Common Shares of the par value of 50c each of the Company and Warrants entitling the bearers thereof to purchase in the aggregate 4,000 Common Shares of the Company at a price of \$20 per share in consideration for the acquisition by the Company of all of the outstanding shares of Foothills Aviation Limited.

The necessary steps were taken in the Provinces of Ontario and Quebec in March, 1968 to permit the issue of 12,214 Common Shares of the par value of 50c each of the Company in consideration for the acquisition by the Company of all of the outstanding shares and all of the outstanding 7½ % Convertible Income Debentures of Hunttec Limited and the acquisition by the Company of indebtedness of Hunttec Limited.

14. FISCAL YEAR

The fiscal year of the Company ends on December 31st in each year.

15. ANNUAL MEETINGS

The by-laws of the Company provide that subject to the provisions of Section 100 of the Canada Corporations Act the annual meeting of the shareholders of the Company shall be held at the head office of the Company or elsewhere within Canada on such day in each year as the board of directors may by resolution determine. The last annual meeting of the Company was held on April 22, 1968.

16. HEAD AND OTHER OFFICES

The head office is located at Toronto International Airport, Malton, Ontario. Other offices of the Company and its subsidiaries are located at Calgary and Edmonton.

17. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Preferred Shares and the Common Shares of the Company is The Royal Trust Company in Montreal, Toronto, Calgary and Vancouver.

18. TRANSFER FEE

No fee is charged on share transfers other than customary government security transfer tax.

19. OPINION OF COUNSEL

Messrs. Fraser, Beatty, Tucker, McIntosh & Stewart, 320 Bay Street, Toronto, Ontario, Counsel for the Company, are filing in support of this application an opinion stating, among other things, that (i) the Company is duly incorporated and is a valid and subsisting corporation in good standing under the laws of Canada; and (ii) the authorized capital of the Company consists of 142,000 6% Cumulative Redeemable Class A Preferred Shares of the par value of \$12.50 each, 12,000 6% Cumulative Redeemable Class B Preferred Shares of the par value of \$30 each and 1,000,000 Common Shares of the par value of 50c each of which 142,000 6% Cumulative Redeemable Class A Preferred Shares, 12,000 6% Cumulative Redeemable Class B Preferred Shares and 302,037 Common Shares are issued and are outstanding as fully paid and non-assessable.

20. AUDITORS

The auditors of the Company are Messrs. Price Waterhouse & Co., Chartered Accountants, 600 - 6th Avenue S.W., Calgary, Alberta.

21. OFFICERS AND DIRECTORS

The officers of the Company are:

| NAME | OFFICE | ADDRESS |
|-------------------|----------------|--|
| D. N. Kendall | President | R.R. 2, Caledon, Ontario |
| A. F. Soutar | Vice-President | 35 Ridgehill Drive, Brampton, Ontario |
| L. R. Herrington | Vice-President | 722 Riverdale Ave., S.W., Calgary, Alberta |
| George F. Coote | Vice-President | 2220 - 12th Street S.W., Calgary, Alberta |
| J. W. Strath | Vice-President | 1316 - 70th Avenue S.W., Calgary, Alberta |
| B. F. Kennerly | Secretary | 96 Brule Gardens, Toronto 3, Ontario |
| G. M. A. Monteith | Treasurer | 265 Dixon Road, Apt. 1212, Weston, Ontario |

The directors of the Company are:

| NAME | ADDRESS |
|---------------------|--|
| J. C. Anderson | 6526 Laurentian Way, Calgary, Alberta |
| G. F. Coote | 2220 - 12th Street S.W., Calgary, Alberta |
| J. K. Farries | 43 Harley Road, Calgary, Alberta |
| D. J. Fleming | 1404 Beverley Place S.W., Calgary, Alberta |
| L. R. Herrington | 722 Riverdale Avenue S.W., Calgary, Alberta |
| J. R. Hughes | 3465 Redpath Street, Montreal, P.Q. |
| C. C. Huston | 15 Parkwood Avenue, Toronto, Ontario |
| J. H. Mowbray Jones | 250 Clarke Avenue, Penthouse 10, Westmount, P.Q. |
| D. N. Kendall | R. R. 2, Caledon, Ontario |
| D. A. McIntosh | 95 Dinnick Crescent, Toronto 12, Ontario |
| P. F. Osler | 5 Summerhill Terrace, Montreal, P.Q. |
| A. E. Pallister | 120 Chinook Drive, Calgary, Alberta |
| N. R. Paterson | 141 Glenrose Avenue, Toronto 7, Ontario |
| D. S. Paterson | 131 Ridgedale Crescent, Charleswood, Manitoba |
| G. D. Ross | 308 Willow Ridge Place S.E., Calgary, Alberta |
| A. F. Soutar | 35 Ridgehill Drive, Brampton, Ontario |
| J. W. Strath | 1316 - 70th Avenue S.W., Calgary, Alberta |
| A. Vanden Brink | 6412 - 103A Avenue, Edmonton, Alberta |

CERTIFICATE

Pursuant to a resolution duly passed by its board of directors, Kenting Limited hereby applies for listing of the above mentioned Common Shares on The Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

KENTING LIMITED



Per: "D. N. KENDALL", President

"B. F. KENNERLY", Secretary

DISTRIBUTION OF COMMON STOCK AS OF APRIL 17, 1968

| Number | Shares |
|---------------------------------------|-----------------------------|
| 24 Holders of 1 — 24 share lots | 250 |
| 95 " " 25 — 99 " " | 4,179 |
| 93 " " 100 — 199 " " | 10,885 |
| 42 " " 200 — 299 " " | 9,225 |
| 22 " " 300 — 399 " " | 6,875 |
| 14 " " 400 — 499 " " | 5,797 |
| 42 " " 500 — 999 " " | 24,719 |
| 49 " " 1000 — up " " | 240,107 |
| <u>381 Shareholders</u> | <u>Total shares 302,037</u> |

APPENDIX "A"

Prior to the acquisition by the Company of the shares of Boundary Drilling Ltd. and Accurate Exploration Ltd. but in contemplation thereof the owners of the majority of the shares of Accurate Exploration Ltd. and Boundary Drilling Ltd., namely, Lawrence R. Herrington, Donald J. Fleming, Antonie Vanden Brink, Graham D. Ross, George F. Coote, Jack C. Anderson, A. Ernest Pallister and Marshall W. Dewis (herein referred to as the "Accurate and Boundary Group") entered into an agreement on the 27th day of July 1967 with the major shareholders of the Company, namely, Field Aviation Company Limited, John R. Hughes, Charles C. Huston, Douglas N. Kendall, Donald A. McIntosh, J. H. Mowbray Jones, Philip F. Osler, Donald S. Paterson and Alexander S. Soutar (herein referred to as "Field Group"), wherein the Accurate and Boundary Group and the Field Group agreed to give effect to certain first refusal rights as herein set forth if the share interest held by the respective individuals in the Accurate and Boundary Group and the Field Group should be reduced to a lesser amount than here shown:

| | |
|--------------------------------------|---------------|
| Lawrence R. Herrington | 16,350 shares |
| Donald J. Fleming | 14,400 shares |
| Antonie Vanden Brink | 16,350 shares |
| Graham D. Ross | 2,500 shares |
| George F. Coote | 8,950 shares |
| Jack C. Anderson | 4,000 shares |
| A. Ernest Pallister | 6,050 shares |
| Marshall W. Dewis | 2,400 shares |
| Field Aviation Company Limited | 18,850 shares |
| John R. Hughes | 870 shares |
| Charles C. Huston | 290 shares |
| Douglas N. Kendall | 2,030 shares |
| Donald A. McIntosh | 580 shares |
| J. H. Mowbray Jones | 4,370 shares |
| Philip F. Osler | 580 shares |
| Donald S. Paterson | 870 shares |
| Alexander F. Soutar | 580 shares |

The Agreement further provided that in the event that any of the Accurate and Boundary Group wish to sell their share interest or part thereof, they must first make an offering to Field Aviation Company Limited and if the Field Group or any one of them wish to sell their share interest or any part thereof, they must first offer same to Lawrence R. Herrington and George F. Coote, provided, always, that Field Aviation Company Limited may freely sell its shares to Hunting Associates Limited (provided that Hunting Associates Limited shall be bound by the terms of the agreement referred to herein) provided that, the individuals in the Accurate and Boundary Group may freely sell their shares to each other. This contract is to terminate on the 31st day of December, 1969.

By an Agreement dated the 20th day of September 1967 Lawrence R. Herrington, Donald J. Fleming, Graham D. Ross, Antonie Vanden Brink, George F. Coote, Jack C. Anderson, A. Ernest Pallister and Marshall W. Dewis (herein referred to as the "Boundary and Accurate Group") and John R. Hughes, C. C. Huston, Douglas N. Kendall, D. A. McIntosh, J. H. Mowbray Jones, P. F. Osler, D. S. Paterson, A. F. Soutar and Field Aviation Company Limited (herein referred to as the "Field Group") entered into an agreement whereby the said parties agreed that until June 30, 1972 they will vote their shares of the Company so that the total number of the Board of the Company shall at all times consist of a number evenly divisible by two and that one-half of the members of the Board of Directors of the Company shall at all times be the joint nominees of the Boundary and Accurate Group and one-half of the Board of Directors of the Company shall at all times be the joint nominees of the Field Group.

KENTING AVIATION LIMITED

(Note—Name changed to Kenting Limited)

(By Supplementary Letters Patent Dated April 22, 1968)

CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1967

AUDITORS' REPORT

To the Shareholders of

Kenting Aviation Limited:

We have examined the consolidated balance sheet of Kenting Aviation Limited and subsidiaries as at December 31, 1967 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Kenting Aviation Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of the accounting records as we considered necessary in the circumstances. We have relied upon the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and source and application of their funds for the year then ended on the basis described in Note 1, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.

Chartered Accountants

Calgary, Alberta, February 7, 1968

CONSOLIDATED BALANCE SHEET

| | ASSETS | |
|---|--------------------|--------------------|
| | AS AT DECEMBER 31 | |
| | 1967 | 1966 |
| CURRENT ASSETS: | | (Note 1) |
| Cash | \$ 605,959 | \$ 115,459 |
| Marketable securities (quoted market value 1967—\$9,488; 1966—\$63,925) | 12,193 | 70,346 |
| Accounts receivable— | | |
| Trade | 1,583,500 | 1,380,482 |
| Other | 104,017 | 172,471 |
| Receivable under debenture | — | 200,000 |
| Inventories, at cost— | | |
| Contracts in progress | 780,388 | 912,154 |
| Supplies and materials | 289,901 | 120,896 |
| Prepaid expenses | 80,633 | 60,134 |
| | <u>3,456,591</u> | <u>3,031,942</u> |
| DEFERRED RECEIVABLE (Note 2) | 750,000 | — |
| INVESTMENTS IN AND ADVANCES TO OTHER COMPANIES, at cost less allowances for doubtful advances (Note 3) | 340,600 | 376,755 |
| PROPERTY AND EQUIPMENT, at cost (Notes 1 and 4) | 7,863,774 | 7,294,162 |
| Less—Accumulated depreciation and depletion | (3,025,669) | (3,038,769) |
| | <u>4,838,105</u> | <u>4,255,393</u> |
| COST OF INVESTMENT IN SUBSIDIARIES IN EXCESS OF BOOK VALUE, at date of acquisition (Note 1) | 309,431 | — |
| DEPOSITS AND OTHER ASSETS, at cost | 52,013 | 70,121 |
| | <u>\$9,746,740</u> | <u>\$7,734,211</u> |

Approved on behalf of the Board:

D. N. KENDALL, Director

G. D. ROSS, Director

| | LIABILITIES | |
|--|-------------------|------------------|
| | AS AT DECEMBER 31 | |
| | 1967 | 1966 |
| CURRENT LIABILITIES: | | (Note 1) |
| Bank advances, secured | \$ 543,205 | \$ 455,193 |
| Accounts payable and accrued | 1,590,490 | 1,509,169 |
| Income taxes payable | 52,549 | 119,284 |
| Long term debt due within one year | 771,402 | 665,067 |
| | <u>2,957,646</u> | <u>2,748,713</u> |
| 7¼ % BANK LOANS, secured (Note 2) | 750,000 | — |
| LONG TERM DEBT, secured (Note 5) | 1,830,043 | 1,650,153 |
| MINORITY INTEREST IN SUBSIDIARIES (Note 1) | 6,785 | 120,824 |
| | <u>5,544,474</u> | <u>4,519,690</u> |
| DEFERRED INCOME TAXES (Note 6) | 1,104,687 | 666,401 |
| | <u>6,649,161</u> | <u>5,186,091</u> |

| SHAREHOLDERS' EQUITY | | |
|---|--------------------|--------------------|
| CAPITAL STOCK: (Note 7) | | |
| 142,000 6% cumulative redeemable convertible Class "A" preferred shares of a par value of \$12.50 each (Authorized—142,000 shares) | 1,775,000 | 1,775,000 |
| 12,000 6% cumulative redeemable convertible Class "B" preferred shares of a par value of \$30 each (Authorized—12,000 shares) | 360,000 | 360,000 |
| 289,823 common shares of a par value of 50¢ each (Authorized—1,000,000 shares) | 144,911 | 136,661 |
| PAID IN SURPLUS (Note 7) | — | — |
| RETAINED EARNINGS (Notes 8 and 10) | 817,668 | 276,459 |
| | <u>3,097,579</u> | <u>2,548,120</u> |
| CONTINGENT LIABILITIES (Note 9) | | |
| | <u>\$9,746,740</u> | <u>\$7,734,211</u> |

CONSOLIDATED STATEMENT OF INCOME

| | FOR THE ENDED DECEMBER 31 | |
|---|------------------------------|-------------------|
| | 1967 | 1966 (Note 1) |
| Operating revenue | \$8,279,573 | \$7,612,371 |
| Sundry income | 31,198 | 45,472 |
| | <u>8,310,771</u> | <u>7,657,843</u> |
| Costs and expenses: | | |
| Cost of operating | 5,556,414 | 5,061,592 |
| Administration and general | 1,006,913 | 841,542 |
| Interest on long term debt | 140,560 | 94,887 |
| Current income taxes (Note 6) | 69,781 | 128,632 |
| | <u>6,773,668</u> | <u>6,126,653</u> |
| | 1,537,103 | 1,531,190 |
| Provision for depreciation | 508,547 | 486,325 |
| Provision for depletion | 26,950 | 45,534 |
| Deferred income taxes (Note 6) | 356,724 | 149,279 |
| | <u>892,221</u> | <u>681,138</u> |
| Income before special items | 644,882 | 850,052 |
| Special items: | | |
| Profit on disposal of capital assets, net of income tax provision | 40,558 | 35,279 |
| Depreciation adjustment, net of income tax provision (Note 4) | 68,183 | — |
| Write off excess of cost over related net assets of companies purchased (Note 1) | — | (59,992) |
| | <u>108,741</u> | <u>(24,713)</u> |
| Income before the following deduction | 753,623 | 825,339 |
| Portion of net income of "pooled companies" applicable to purchase (Note 1) | 69,745 | 49,316 |
| Net income for year | <u>\$ 683,878</u> | <u>\$ 776,023</u> |

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1967

| | | |
|--|-----------|-------------------|
| Balance, December 31, 1966 (Note 8) | | \$ 300,091 |
| Net income for year | | 683,878 |
| | | <u>983,969</u> |
| Less—Deferment of prior year's gain on sale of investments (Note 3) | \$ 88,662 | |
| Deficit of subsidiary company in which majority interest acquired during year | 10,432 | 99,094 |
| | | <u>884,875</u> |
| Less—Dividends paid: | | |
| Class A Preferred | 3,210 | |
| Common | 63,997 | 67,207 |
| Balance, December 31, 1967 | | <u>\$ 817,668</u> |

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

| | FOR THE YEAR ENDED DECEMBER 31 | |
|--|-----------------------------------|-------------------|
| | 1967 | 1966 (Note 1) |
| Source of funds: | | |
| Gross revenue from all sources | \$8,310,771 | \$7,657,843 |
| Less—Costs of operating, administration and general expenses, long term debt interest and current income taxes | 6,773,668 | 6,126,653 |
| Funds from operations | 1,537,103 | 1,531,190 |
| Long term borrowing | 1,118,585 | 1,557,389 |
| Proceeds from property and equipment disposals | 474,711 | 210,669 |
| Sale of common shares for cash | 74,250 | 219,704 |
| Other | 1,931 | (61,547) |
| 7¼ % bank loans | 750,000 | — |
| | <u>3,956,580</u> | <u>3,457,405</u> |
| Application of funds: | | |
| Additions to property and equipment | 1,379,655 | 1,887,796 |
| Dividends paid | 67,207 | 37,324 |
| Investment in other companies | 62,939 | 172,152 |
| Repayment of long term debt | 938,695 | 809,721 |
| Cash requirements on acquisition of subsidiaries | 542,368 | — |
| Deferred receivable | 750,000 | — |
| | <u>3,740,864</u> | <u>2,906,993</u> |
| Increase in working capital | <u>\$ 215,716</u> | <u>\$ 550,412</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1967

NOTE 1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company's subsidiaries all of which are wholly owned with the exception of two companies where the minority interests are not significant.

As the result of a share exchange in September 1967, pursuant to an agreement dated July 27, 1967, Boundary Drilling Ltd. and subsidiaries and Accurate Exploration Ltd. and subsidiaries became subsidiaries of the Company. Such exchange has been accounted for on a "pooling of interests" basis and accordingly the operations of Boundary and Accurate for the full year have been included in the consolidated statement of income.

In December 1967, pursuant to an agreement dated November 30, 1967, the Company purchased, for cash, 50% of the outstanding share capital of Foothills Aviation Limited and its subsidiary and acquired the remaining 50% through a share exchange. This acquisition has been accounted for on a "partial pooling of interests" basis. Accordingly, the operations of Foothills for the full year have been included in the consolidated statement of income except that, the portion of Foothills' net income which relates to the share capital purchased for cash by the Company (50%) has been excluded from consolidated net income.

Upon consolidation, on a "pooling of interests" basis, the excess of the issue value of Kenting capital stock issued, over the stated value of the outstanding capital stock of Boundary, Accurate and Foothills received in exchange, has been charged to paid in surplus in the amount of \$613,292 and retained earnings in the amount of \$1,386,882. The shares purchased for cash have been treated as a "purchase" for accounting purposes and the excess of the cash paid for the investment over the relative net assets of Foothills at date of acquisition represents an intangible asset and is shown as such in the consolidated balance sheet in the amount of \$309,431. In the opinion of management, there is no present indication that this intangible asset has a determinable life or existence and accordingly it is not being amortized.

Included in the consolidated financial statements of certain subsidiaries in prior years, were amounts which arose when the excess of consideration paid for investments in subsidiaries exceeded net book values at acquisition dates. Where such excess was attributable to tangible equipment it was included in the costs thereof in the consolidated financial statements; in those other instances where such excess was not represented by tangible assets and there was no longer any intangible value represented, it was charged to income.

For comparative purposes the 1966 financial statements have been restated from those previously reported to include the subsidiary companies acquired during 1967, accounted for on a "pooling of interests" basis.

NOTE 2. DEFERRED RECEIVABLE—\$750,000; 7¼ % BANK LOANS—\$750,000:

The deferred account receivable represents an oil production payment which, it is estimated, will be recovered in two years. This payment was financed through bank loans. Although these loans are evidenced by demand notes, the bank has indicated that it is prepared to accept repayment out of the net proceeds from production.

NOTE 3. INVESTMENTS:

A subsidiary company, acquired by Kenting in 1967, sold its investments in a subsidiary company and an affiliated company in 1966 to a newly incorporated company. The gain of \$88,662 resulting from this sale, was credited to retained earnings of the subsidiary company in 1966.

In connection with the sale, a minority interest investment was acquired in the new company. The new company incurred losses in its initial year of operations. The Company's share of these losses amount to approximately \$130,000 (which share includes accrued interest payable by the new company of \$20,484) to date. The new company has shown profitable operations in current months and management is of the opinion that the losses will not represent a permanent diminution of the investment in the new company. However, in view of the financial position of the new company, provision was made in 1967 to defer recognition of the 1966 gain of \$88,662 and provision was made in 1967 for the uncollected interest of \$20,484.

NOTE 4. PROPERTY AND EQUIPMENT:

| | 1967 | 1966 |
|----------------------------------|--------------------|--------------------|
| Aircraft division | \$3,532,464 | \$3,679,100 |
| Oil well drilling division | 2,575,350 | 2,075,285 |
| Seismic division | 1,224,682 | 1,050,638 |
| Oil and gas properties | 531,278 | 489,139 |
| | <u>7,863,774</u> | <u>7,294,162</u> |
| Less— | | |
| Accumulated depreciation | 2,953,185 | 2,993,235 |
| Accumulated depletion .. | 72,484 | 45,534 |
| | <u>3,025,669</u> | <u>3,038,769</u> |
| | <u>\$4,838,105</u> | <u>\$4,255,393</u> |

Depreciation of property and equipment is provided at rates which will amortize cost, less estimated salvage values, over the estimated service lives of the respective assets. As a result of establishing salvage values and conforming depreciation policies within the Company and subsidiaries an adjustment of \$137,545 less an applicable provision for deferred income taxes of \$69,362 has been included in the statement of income as a special item.

The companies use the full cost method of accounting for interests in oil and gas properties whereby all costs related to the exploration for and development of oil and gas reserves, whether productive or unproductive, are capitalized. Depletion of costs is computed by a composite unit of production method based on total estimated proven reserves.

NOTE 5. LONG TERM DEBT (SECURED):

| | 1967 | 1966 |
|---|--------------------|--------------------|
| 8% Debenture, repayable in monthly instalments of \$15,800 to September 1971 | \$ 623,200 | \$ 884,800 |
| 8% Subordinated demand debenture, repayable in quarterly instalments of \$31,250 to December 1971 | 500,000 | — |
| Non-interest bearing advance under contract, repayable in monthly instalments of \$5,656 | 217,446 | 283,032 |
| 3% Debenture due December 1981 | 140,000 | 140,000 |
| 7% Note, repayable in monthly instalments of \$5,076 | 232,845 | — |
| 6% Note, repayable \$50,000 January 1969 and the balance January 1970 | 130,000 | 130,000 |
| Mortgages, repayable in monthly instalments of approximately \$8,300 at various interest rates between 6% and 8% | 281,752 | 256,812 |
| 7¼ % Bank loans, repayable in monthly instalments of \$7,685 | 231,367 | 64,167 |
| Sundry notes, conditional sales agreements, etc., repayable in monthly instalments of approximately \$13,500 at various interest rates between 5% and 10% | 244,835 | 556,409 |
| | <u>2,601,445</u> | <u>2,315,220</u> |
| Less—Payments due within one year included in current liabilities | 771,402 | 665,067 |
| Long term debt due beyond one year | <u>\$1,830,043</u> | <u>\$1,650,153</u> |

Long term obligations which are repayable in United States dollars have been converted to Canadian dollars at the exchange rates in effect on the dates the debts were incurred. The current portion of such obligations has been converted at the rate prevailing at the year end.

NOTE 6. INCOME TAXES:

Under the provisions of the Income Tax Act the companies are entitled, for tax purposes, to claim depreciation in excess of the amounts recorded in the accounts and to carry forward and deduct certain oil and gas drilling and exploration costs which have been capitalized for accounting purposes. As it is the policy of the companies to claim maximum tax allowances, the amounts claimed for tax purposes are in excess of the related depreciation and depletion charged to earnings. Deferred income taxes have been provided on this excess and are applicable to those future years when allowances for income tax purposes will be less than depreciation and depletion recorded in the accounts.

Certain subsidiaries had, prior to acquisition, tax loss carry forwards available which were deducted in determining taxable income in 1966. As a result the provision for current income taxes was reduced by approximately \$250,000 in 1966.

In prior years the Company did not provide deferred income taxes applicable to profits on aircraft disposals. The result was that the provision for deferred income taxes to December 31, 1966 was \$74,200 less than would otherwise have been provided. An adjustment to reflect deferred income taxes was recorded in the accounts during 1967 by charging retained earnings. Although this adjustment was made to retained earnings in the current year, for comparative purposes the 1966 income and closing retained earnings figures have been restated from those previously reported to show what the results of operations for 1966 would have been had deferred income taxes been fully provided.

NOTE 7. CAPITAL STOCK:

Under supplementary letters patent dated September 8, 1967 and December 19, 1967 the authorized capital of the Company was increased by the creation of the following:

- 600,000 additional common shares of a par value of 50c each.
- 142,000 6% cumulative redeemable Class A preferred shares of a par value of \$12.50 each, convertible share for share into common shares at any time between January 1, 1970 and December 31, 1974. These Class A preferred shares may be redeemed at any time after March 1, 1970 at an amount equal to the par value thereof, together with a premium determined at 6% of par value at March 1, 1970 and reducing by .5% each year to March 1, 1982.
- 12,000 6% cumulative redeemable Class B preferred shares of a par value of \$30.00 each, convertible share for share into common shares at any time between January 15, 1969 and January 15, 1973 and ranking equally as to dividends and on winding up with the Class A preferred shares. These Class B preferred shares may be redeemed at any time after March 15, 1969 at an amount equal to the par value thereof, together with a premium determined at 6% of par value at March 15, 1969 and reducing by .5% each year to March 15, 1981.

During 1967 the various classes of capital stock issued were as follows:

| | COMMON SHARES | | | CLASS A PREFERRED SHARES | | CLASS B PREFERRED SHARES | |
|---|----------------|------------------|-----------------|--------------------------|--------------------|--------------------------|------------------|
| | SHARES | PAR VALUE | PAID IN SURPLUS | SHARES | PAR VALUE | SHARES | PAR VALUE |
| Balance, December 31, 1966, as reported | 148,823 | \$ 74,411 | \$413,292 | — | \$ — | — | \$ — |
| Issued in exchange for shares: | | | | | | | |
| Boundary Drilling Ltd. | 75,000 | 37,500 | — | 100,000 | 1,250,000 | — | — |
| Accurate Exploration Ltd. .. | 37,500 | 18,750 | — | 42,000 | 525,000 | — | — |
| Foothills Aviation Limited .. | 12,000 | 6,000 | 134,000 | — | — | 12,000 | 360,000 |
| | <u>273,323</u> | <u>136,661</u> | <u>547,292</u> | <u>142,000</u> | <u>1,775,000</u> | <u>12,000</u> | <u>360,000</u> |
| Issued for cash under options exercised: | | | | | | | |
| Non-employees | 16,000 | 8,000 | 64,000 | — | — | — | — |
| Employee | 500 | 250 | 2,000 | — | — | — | — |
| Eliminations under "pooling of interests" (Notes 1 and 8) | — | — | (613,292) | — | — | — | — |
| Balance, December 31, 1967 .. | <u>289,823</u> | <u>\$144,911</u> | <u>\$ —</u> | <u>142,000</u> | <u>\$1,775,000</u> | <u>12,000</u> | <u>\$360,000</u> |

The following warrants and an employee's option are outstanding as at December 31, 1967:

Warrants —

60,000 entitling holders to purchase one common share for each warrant at \$8.50 per share during the period from July 1, 1968 to June 30, 1973 at the rate of 12,000 common shares per year on a non-cumulative basis.

4,000 entitling holders to purchase one common share for each warrant at \$20.00 per share during the period from December 1, 1968 to November 30, 1973 at the rate of 800 common shares per year on a non-cumulative basis.

Employee's option—

Entitling an employee to purchase 500 common shares at \$4.50 per share at the rate of 250 common shares per year in 1968 and 1969 on a cumulative basis.

The Company has reserved 218,500 common shares for the possible conversion of preferred shares and exercise of outstanding warrants and options.

NOTE 8. RETAINED EARNINGS:

The balance of consolidated retained earnings as at December 31, 1966 was restated as follows:

Balances, December 31, 1966:

| | | |
|---|------------------|-------------------|
| Kenting Aviation Limited | | \$ 453,417 |
| Boundary Drilling Ltd., Accurate Exploration Ltd. and portion of Foothills Aviation Limited applicable to "pooling of interests" (Note 1) | | <u>1,307,756</u> |
| | | 1,761,173 |
| Less—Excess of par value of Kenting capital stock issued over the stated value of the outstanding capital stock of the acquired companies, determined as follows: | | |
| Par value of shares issued— | | |
| Common | \$ 62,250 | |
| Class A Preferred | 1,775,000 | |
| Class B Preferred | <u>360,000</u> | |
| | 2,197,250 | |
| Paid in surplus | <u>134,000</u> | |
| | 2,331,250 | |
| Cost of shares purchased and merger costs | <u>542,368</u> | |
| | 2,873,618 | |
| Less—Cost of shares purchased | <u>500,000</u> | |
| | 2,373,618 | |
| Stated value of shares exchanged | <u>373,444</u> | |
| Excess | <u>2,000,174</u> | |
| Excess charged to paid in surplus (Note 7) | <u>613,292</u> | <u>1,386,882</u> |
| | | 374,291 |
| Less—Adjustment with respect to prior years' deferred income taxes (Note 6) .. | | <u>74,200</u> |
| Restated balance, December 31, 1966 | | <u>\$ 300,091</u> |

The 1966 retained earnings shown in the comparative balance sheet are \$276,459. The difference of \$23,632 results from the elimination on pooling of paid in surplus of \$66,000 attributable to the sale of common shares for cash in 1967 (Note 7) less merger costs of \$42,368 incurred in 1967.

NOTE 9. CONTINGENT LIABILITIES:

The company and its subsidiaries have guaranteed the indebtedness of others in the amount of \$81,200.

NOTE 10. DIVIDENDS:

Under the terms of issue of the Class A and Class B preferred shares payment of dividends, except stock dividends, on the common shares is subject to certain restrictions. In accordance with these terms the amount available for payment of dividends on common stock is not less than the retained earnings shown in the consolidated balance sheet as at December 31, 1967.

NOTE 11. REMUNERATION OF DIRECTORS AND OFFICERS:

Included in administrative expenses for 1967 is remuneration paid to directors, including senior officers, of \$255,543.

FOUR YEAR EARNINGS SUMMARY "POOLING OF INTERESTS"

1. The figures shown below have been restated from those previously reported by combining the accounts of Kenting Aviation Limited, Boundary Drilling Ltd., Accurate Exploration Ltd., and Foothills Aviation Limited on a "pooling of interests" basis explained in Note 1 to the financial statements.
2. Certain subsidiaries had, prior to acquisition, tax loss carry forwards available which reduced taxable income in 1966, 1965, and 1964. These tax reductions have been set out separately below.
3. Earnings attributable to common shares is based upon the weighted average number outstanding (after giving effect to common shares exchanged for Boundary, Accurate and Foothills) during each year and after providing for dividends on preferred shares of \$128,000, although preferred dividends were not paid until 1967 and amounted to only \$3,000. For purposes of the calculation deferred income taxes include those in respect of operations and special items. Provision has not been made for possible future conversion of preferred shares or exercise of warrants as outlined in Note 6 to the financial statements.

| | 1967 | 1966 | 1965 | 1964 |
|--|-------------------|------------------|------------------|------------------|
| Revenue | \$8,311,000 | 7,658,000 | 6,620,000 | 4,750,000 |
| Cost of operating | 5,556,000 | 5,062,000 | 4,306,000 | 3,573,000 |
| Administration and general | 1,007,000 | 841,000 | 603,000 | 445,000 |
| Interest on long term debt | 141,000 | 95,000 | 89,000 | 75,000 |
| Current income taxes before reduction (Note 2) .. | 70,000 | 379,000 | 310,000 | 110,000 |
| | <u>6,774,000</u> | <u>6,377,000</u> | <u>5,308,000</u> | <u>4,203,000</u> |
| | <u>1,537,000</u> | <u>1,281,000</u> | <u>1,312,000</u> | <u>547,000</u> |
| Depreciation and depletion | 535,000 | 532,000 | 559,000 | 344,000 |
| Special items—Net of deferred income taxes | (109,000) | 25,000 | 50,000 | (80,000) |
| Portion of net income of pooled companies applicable to purchase | 70,000 | 49,000 | 37,000 | 56,000 |
| | <u>496,000</u> | <u>606,000</u> | <u>646,000</u> | <u>320,000</u> |
| | <u>1,041,000</u> | <u>675,000</u> | <u>666,000</u> | <u>227,000</u> |
| Deferred income taxes | 357,000 | 149,000 | 212,000 | 1,000 |
| | <u>684,000</u> | <u>526,000</u> | <u>454,000</u> | <u>226,000</u> |
| Income tax reduction (Note 2) | — | 250,000 | 210,000 | 40,000 |
| NET INCOME FOR THE YEAR | <u>\$ 684,000</u> | <u>776,000</u> | <u>664,000</u> | <u>266,000</u> |
| Preferred stock dividends (Note 3) | \$ 128,000 | 128,000 | 128,000 | 128,000 |
| Earnings attributable to each common share (Note 3) — | | | | |
| Before deferred income taxes and income tax reduction | \$ 3.58 | 2.31 | 2.45 | .82 |
| Before income tax reduction | 2.00 | 1.60 | 1.45 | .44 |
| On net income | 2.00 | 2.60 | 2.39 | .61 |
| Weighted average number of common shares outstanding | 277,823 | 248,912 | 224,500 | 224,500 |

FOUR YEAR EARNINGS SUMMARY

| | "Pooling of Interests" Basis | As previously reported to shareholders | | |
|--|------------------------------------|---|------------------|----------------|
| | 1967 | 1966 | 1965 | 1964 (Note) |
| Revenue | \$8,311,000 | 1,553,000 | 1,284,000 | 1,014,000 |
| Cost of operating | 5,556,000 | 1,161,000 | 964,000 | 863,000 |
| Administration and general | 1,007,000 | 97,000 | 47,000 | 34,000 |
| Interest on long term debt | 141,000 | 30,000 | 23,000 | 7,000 |
| Current income taxes | 70,000 | 8,000 | 14,000 | 4,000 |
| | <u>6,774,000</u> | <u>1,296,000</u> | <u>1,048,000</u> | <u>908,000</u> |
| | <u>1,537,000</u> | <u>257,000</u> | <u>236,000</u> | <u>106,000</u> |
| Depreciation and depletion | 535,000 | 199,000 | 168,000 | 101,000 |
| Special items — Net of deferred income taxes | (109,000) | (36,000) | (3,000) | (55,000) |
| Portion of net income of pooled companies applicable to purchase | 70,000 | — | — | — |
| | <u>496,000</u> | <u>163,000</u> | <u>165,000</u> | <u>46,000</u> |
| | <u>1,041,000</u> | <u>94,000</u> | <u>71,000</u> | <u>60,000</u> |
| Deferred income taxes | 357,000 | 15,000 | 25,000 | — |
| NET INCOME FOR THE YEAR | <u>\$ 684,000</u> | <u>79,000</u> | <u>46,000</u> | <u>60,000</u> |
| Weighted average number of common shares outstanding | 277,823 | 124,411 | 100,000 | 100,000 |
| Earnings attributable to each common share — | | | | |
| Before deferred taxes | \$ 3.58 | .99 | .73 | 1.21 |
| After deferred taxes | 2.00 | .63 | .46 | .60 |
| Common share dividends — | | | | |
| Per share | 30c | 30c | 30c | 15c |
| Aggregate | \$ 63,997 | 37,324 | 30,000 | 15,000 |
| Class A Preferred share dividends — | | | | |
| Per share | 2.2c | — | — | — |
| Aggregate | \$ 3,210 | — | — | — |

Note: 1964 has been adjusted to reflect deferred income taxes on aircraft disposals included in special items.

